

Take a longer view

Resist offers to 'split the difference'

Question:

I have a team member who's been working with a prospective customer for months to close an important deal. Last week the discussion stalled over, what else, price. The buyer called and offered to split the difference so he can move on to the implementation step. Would you agree to accept his offer?

Response:

Depending upon the concessions the salesperson has already made, splitting the difference could result in a deeper loss for him and only a minor adjustment for the customer, otherwise why would he be offering it? As a general rule, refuse to split the difference—unless, of course, the numbers work in your favor.

It's not uncommon to encounter customers whose intent is to wear you down. By prolonging the buying process, making excessive demands, or forcing you to work for every concession, their objective is to get what they want on their terms.

By offering to split the difference, the customer's intent, most likely, is to catch your team member at a vulnerable moment. Your team member should resist the temptation, not concede, and employ one or more of these counter-moves instead:

Refuse the offer

Be gracious and say, "Thanks for the offer. I'm going to pass. I am confident that we can find a more viable solution." Don't acquiesce to the other party as you compromise your credibility and future negotiating power. By giving in, you validate the other party's suspicion that your initial bottom-line position wasn't real to begin with and that you were simply just trying to hold out to see if you could get more.

Reverse the concession to the other party

Never make a concession without getting something in return, otherwise you invalidate your position. Maintain your negotiating prowess by holding your position while simultaneously communicating a willingness to explore options. Respond to the customer's offer by saying, "Jack, I'll consider splitting the difference on price if you are willing to pay net 10 vs. net 30." This shifts the responsibility to the other party to re-assess the value of the concession request.

Walk away

Tell the customer flat out, "I would like the opportunity to do business with you, but making a price concession at this point would create a hardship for me. I had hoped we would find a viable solution, but it doesn't look like that's going to happen."

Continue by saying, "We've invested a lot of time and effort into this project, and

I'm disappointed that we couldn't find a way to make it work. Please know that while we couldn't make it work for our two companies, I would welcome the opportunity to be considered for future programs."

The other party might flat-out walk away from the deal, or may leave just for a period of time to explore other options. It's not uncommon for the customer to call back with a counter-offer. Be prepared.

Be bold and draw the line

Flat out ask the customer, "How long are you willing to prolong this to get another price concession?" You might hear some very funny responses, such as, "I have allocated an hour a day, for the next two months, to see if we can get your price within reason," or "Only until 2 p.m. today. We have your competitor ready and wanted to give you first right of refusal."

You need to tell the customer in any situation, "This is my bottom line. Are you open to..."

For some sales professionals, drawing and maintaining boundaries is difficult. Inadequate preparation causes them to recoil when faced with concession demands, rather than rehearsing how to say "no" gracefully. They don't understand that every move they make conditions the customer how to negotiate with them. Every time the customer puts pressure on them and they cave in, that conditions the customer to perceive the bottom-line as arbitrary. As a result, the customer learns to use strong-arm tactics to identify the "real" bottom-line.

Salespeople who have lost their edge, drive down company margins and profits by negotiating first on price rather than

exploring options for developing mutually beneficial outcomes. They commiserate with the customer, rather than effectively negotiate with them.

Before accepting to split the difference, meet with your sales team member. Identify what concessions have been made and what options are available to potentially resolve the discord. If price is the only option, you must decide to accept to split the difference, make a counter-offer, or walk away.

Remember, this decision is a critical. It will set the tone for all future negotiations with this customer so it's important to be strategic. Weigh the cause and affects and be sure you set your company up to succeed in the long-run.



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